

## **EXHIBIT 7**

# ‘Operation Carwash’ in Brazil causes normally staid business meeting to go off script

By Dom Phillips

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RIO DE JANEIRO -- Words that nobody wants to hear at a quarterly results event for a world-renowned oil company with a \$220.6 billion business plan to complete: “corruption,” “bribe,” “federal police,” “internal investigation,” “over-invoicing,” “governance,” “difficult moment” and “painful.”

But there was no avoiding them on Monday, as Brazil’s state-controlled oil company Petrobras used what should have been a celebration of a continuing increase in its domestic oil production to try to keep control of a deepening crisis.

This regular event is normally a piece of corporate theater that always follows the same script: a teleconference with analysts, followed by a press conference with top executives who sit on a stage in an auditorium at the company’s headquarters in downtown Rio de Janeiro.

This time, the deepening sleaze investigation called Operation Carwash meant the company had had to delay releasing its financial results – a decision explained with double page ads in Sunday’s newspapers. The scandal had forced a script rewrite.

Operation Carwash first exploded in March. Police and prosecutors believe Petrobras contracts were overinflated and the cash either creamed off for personal use or paid off to political parties, including the Workers Party of newly re-elected President Dilma Rousseff.

A former high-ranking Petrobras executive, Paulo Costa, who until 2012 was in charge of supply and refining, has turned state’s evidence, as has a money changer named Alberto Youssef. They are believed to have run the scheme, which some of their testimony, leaked to the press just before the election, even suggested was linked to Rousseff and her predecessor, Luiz Inácio Lula da Silva, known as Lula.

On Friday and over the weekend police swooped in again and arrested dozens of high-ranking executives, including CEOs, from some of the biggest engineering and construction companies in Brazil - including the Camargo Correa group, OAS, UTC, and Queiroz Galvão. Renato Duque, formerly Petrobras director of services, was also arrested.

The scandal followed Rousseff to Australia, where she was attending the G-20 summit and gamely tried to put a positive spin on the new wave of arrests. “I think this could, in fact, change Brazil forever,” she said. “It is going to end impunity.”

On Saturday, some 10,000 demonstrated on São Paulo’s main avenue for her impeachment – signs of the strength of feeling in Brazil, where many feel that the scandal is not being taken seriously enough. Some on the march even split off and called for a return to military dictatorship.

This is not just a business story in Brazil, where Petrobras is held dear as a national champion, but a scandal that has

reached into every corner of country.

Paulo Costa used to sit on this stage with Petrobras's other high-ranking executives. Now his replacement, José Cosenza, sat blinking next to CEO Graça Foster – the woman who took over the company in 2012, with the brief to make it a more “technical” and less “political” operation. Costa and Duque were appointments, local media reported, linked to political parties in Rousseff's ruling coalition. Both left shortly after Foster became CEO.

On Friday in a separate case, Brazil's comptroller general's office said it will investigate allegations that Petrobras officials accepted bribes to award contracts several years ago to Dutch company SBM Offshore, which supplies oil platforms. Executives said SBM was now barred from future bid rounds, but admitted Petrobras still has eight oil platforms on hire from the company.

On the stage at the auditorium, the Petrobras front bench tried to focus on the company's promising oil production figures. But questions kept coming back to Operation Car Wash.

How would Petrobras get back the money it had lost in over-invoicing? Who would build all the rigs and oil refineries it needs if the new wave of arrests means the companies get blacklisted, like SBM? Was the company taking this crisis as seriously as it should be doing?

Over three hours of questioning, first from business analysts by phone, then by journalists, Foster and her executives insisted a new Board of Governance, internal investigations and 66 unspecified internal actions would take care of the corruption problem. Two firms of lawyers have been hired – one Brazilian, one American. They were going to try to get the over-invoiced money back. They did not seem quite sure how.

“We have to take care of our governance. We have the privilege of many, many prizes in the technical area and also want the respect for our governance,” said Foster, when the Post asked how Petrobras would win back the confidence of international investors.

Did anybody at the company have any idea of the scale of the corruption problem that had erupted when Operation Carwash began arresting people in March? Foster indicated no one did.

“Yes, we are going through a difficult moment. We were surprised on that day, March 20, of 2014, when we had news for the first time of Operation Carwash,” she said.

So nobody knew anything. If not, why not? There are billions of dollars involved in Operation Carwash. Two top executives were jailed (Costa is now under house arrest). Petrobras financial results will now be released on Dec. 12 in an unaudited form - then later, audited.

And it is producing more oil. But this scandal has soiled Petrobras, and Operation Carwash does not seem to be prompting the deep clean it would seem to need.

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